A CLEAR WINNER

IN THE SPACE RACE

THE OUTLOOK FOR CORPORATE AVIATION, AFTER A LONG TIME IN THE DOLDRUMS, LOOKS ENCOURAGING. ROHIT JAGGI CHASES DOWN A SMART BUSINESS JET INVESTMENT
It might seem a bit of a stretch to call a $33.5m price tag a bargain. But business jets made by manufacturers of airliners could – at the right age and price, and in the right condition – lay a very strong claim to that title.

Take one Airbus Corporate Jet on sale at the moment by Global Jet Concept, the world’s largest VIP Airbus operator.

What that $33.5m will buy is a huge, luxurious interior wrapped in an aircraft with exceptional reliability by business jet standards. In airliner terms this ACJ318 Elite+, to give it its full designation, is barely run in – a 2009 aircraft, it has flown just 3,000 hours with only about 1,000 start-up to shut-down cycles.

The ACJ318 was developed from the smallest plane in the highly successful A320 series of Airbus commercial airliners – the aircraft favoured by cost-conscious carrier easyJet for their reliability and efficiency. They were designed to do at least 60,000 hours and 48,000 cycles. Airliners are expected to fly something like 3,600 hours a year. A plane intended for that intensity of use, when doing closer to 500 hours a year in private hands, tends to be ready to go whenever it is needed.

An A318 airliner will typically have seating for about 110 passengers. The interior of this ACJ, refurbished in 2015, seats 19 in leather-cosseted luxury. That makes for a serious amount of real estate in a passenger cabin very nearly as long as a tennis court, at almost 71 ft – although somewhat narrower, at a whisker over 12 ft. In fact, the only real rival for cabin size in this class is Boeing’s 727-based Boeing Business Jet, at 79 ft by 11 ft 6 ins.

Similarly priced or sized non-airliner-derived planes include pre-owned versions of Gulfstream’s G550, with a cabin 50 ft long and 7 ft 3 ins wide that can accommodate 48 ft by 8 ft Global XRS from Bombardier, which can only offer 13 seats.

Many business jets end up feeling under-resourced or cramped. This ACJ, however, is laid out with plenty of space between the sumptuous chairs and the crisply designed tables and cabinets. Despite that, it still manages to offer three distinctly separate areas for sitting, working or sleeping, two three-seat divans and three lavatories including one at the front for the crew.

There are four big display screens, including two in the private office, a satellite phone system, WiFi and fast broadband – even, for the traditionalists, a fax machine. And a safe.

A cruise speed of more than 500 MPH, or about eight-tenths of the speed of sound, makes short work of a maximum range of more than 4,500 miles. A318 airliners have long been used for the London City-New York route by British Airways. That service picks up extra fuel in Ireland going west, but the eastward journey is done non-stop.

Now is also a good time to buy. Since the financial crisis of 2008 large-cabin, long-range aircraft have been the bright spot in business jet sector with manufacturers such as Gulfstream, Bombardier and Dassault, as well as Airbus and Boeing, stepping up their competition for buyers. But even this area has recently been feeling the pinch, and the number of big aircraft on the market has been rising.
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The tide may be turning, though. Donald Trump is the first US president to have had a private jet before being elected, and his robustly pro-business stance is expected to provide a boost for corporate aviation that will spread far and wide in a highly globalised sector. Already, since Trump took over, there has been an uptick in inquiries about business aircraft, especially pre-owned ones.

Figures from the WINGX Business Aviation Monitor bear that out. Flights in Europe were 4.4 per cent up in January this year against the same month in 2016, and traffic from Europe to North America was up 6 per cent. ‘The last 12-month trends indicate a solid recovery is under way,’ says Richard Koe, Managing Director of research and consulting company WINGX Advance.

Financing is also becoming easier. As aviation specialist Aoife O’Sullivan, partner in The Air Law Firm, points out, there is a big move to leasing from loans, with potential benefits in tax as well as the ability to fund aircraft. ‘Buyers don’t care so much about outright ownership any more,’ she says.

The direct operating costs of running the ACJ318, including crew costs and maintenance but not depreciation, would be in the region of $5,000 per hour, assuming about 500 hours flown a year. That comes to about $12 per mile flown.

By comparison, the G550’s equivalent hourly cost, with about 400 hours’ use a year, would be...
$4,321 or $8 per mile. And the figures for the Global XRS are $4,361 and $10 per mile, with about 450 hours flown a year.

But the day-to-day task of operating an aircraft is actually a lot of very specialised work. Employing crew, running a flight department to deal with maintenance and training, buying fuel – all that is much easier and cheaper with scale. So the most logical path may be to have a company that already manages other aircraft to take care of that task for you.

And here an ACJ scores high. The aircraft’s ability to swallow large numbers of people, in different zones, means it is ideal for government and trade missions. Making it available to be hired when it would otherwise be sitting in the hangar will not give you a business jet for free, as some of the more imaginative members of the private aviation world used to say before the financial crisis, but when the charter rate might be $9,500 to $10,000 per hour, there should be enough left over after the management company’s fees to help defray some costs.

And as for that price tag, if one is counting cabin square feet, $33.5m may be a bit loftier than the price per square foot for homes in the most desirable of world cities. But the view – and the ability to change it whenever you want – is in a different league.

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